

# **4 FAM 040 MANAGEMENT CONTROLS**

## **4 FAM 041 GENERAL STATEMENT**

*(TL:FIN-356; 11-30-95)*

a. The head of each executive agency shall establish and maintain systems of accounting and management controls that provide:

(1) complete disclosure of the financial results of the activities of the agency;

(2) adequate financial information the agency needs for management purposes;

(3) effective control over, and accountability for, assets for which the agency is responsible, excluding internal audit;

(4) reliable accounting results that will be the basis for preparing and supporting the budget requests of the agency, and controlling the execution of the agency budget;

(5) financial information that the President requires; and

(6) suitable integration of the accounting system with the central accounting and reporting responsibilities of the Secretary of the Treasury.

b. The accounting system (31 U.S.C. 3512) shall incorporate a comprehensive system of management controls characterized by:

(1) organizational plans which provide appropriate segregation of functional responsibilities;

(2) authorization and recording procedures adequate to provide reasonable control over assets, liabilities, revenues, and expenses;

(3) sound practices to be followed in performance of duties and functions of organizational components; and

(4) assignment of responsibilities to personnel commensurate with their qualifications.

c. The Federal Managers' Financial Integrity Act of 1982, Pub. L. 97-255 (31 U.S.C. 3512) requires that ... internal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General and shall provide reasonable assurances that:

- (1) obligations and costs are in compliance with applicable law;
- (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- (3) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The standards prescribed by the Comptroller General under this paragraph shall include standards to ensure the prompt resolution of all audit findings.

## **4 FAM 042 DUTIES**

*(TL:FIN-356; 11-30-95)*

The system shall incorporate an appropriate segregation of duties between authorization of transactions, maintenance of accounting records, and receipts, as well as use and disposition of resources. Particular emphasis shall be accorded to the following:

- (1) employees collecting receipts or having custody of cash or negotiable securities shall not be assigned maintenance or reconciliation of related accounting records;
- (2) employees having custody of property shall not be responsible for adjusting related accounting records; and
- (3) personnel certifying or scheduling vouchers for payment shall not be assigned procurement, receipt, or custodial duties over property or services.

## **4 FAM 043 PERSONAL RESPONSIBILITY**

*(TL:FIN-356; 11-30-95)*

Each employee has a personal responsibility in the proper use and reporting of that individual's own time. Employees are also responsible for the custody and appropriate disposition or use of property or other assets entrusted to their care; in some cases, for the administrative review of such use, custody, or disposition by others. Employees at all levels are expected to have a measure of knowledge of management control objectives and techniques commensurate with their assigned duties. Managers are responsible for the design, maintenance, and continuing evaluation of management controls.

## **4 FAM 044 ACCOUNTING CONTROLS**

*(TL:FIN-356; 11-30-95)*

A system of general ledger and subsidiary accounts shall be maintained for assets, liabilities, investments of the Government, revenues, and costs. Accounts shall be reconciled and differences investigated according to the following schedule:

(1) General ledger trial balances are to be produced at least at the end of each monthly accounting period. Both internal and external reports will be based on the accounting period;

(2) Subsidiary ledger cost accounts shall be reconciled with general ledger control accounts at the close of each accounting period;

(3) Subsidiary ledgers for property and current asset inventories are to be reconciled to general ledger controls at least at the end of each fiscal year, and at intervals when physical inventories are taken. Subsidiary ledgers for assets, other than property and current asset inventories, and for liabilities, are to be reconciled to general ledger controls at the end of each accounting period;

(4) Documents supporting unliquidated obligations shall be reconciled monthly (including the end of each fiscal year) with general ledger accounts. Obligation documents shall be reviewed critically at the end of each fiscal year to determine the requirements of Section 1311 (34 Comp. Gen. 821): Specific responsibility shall be assigned at the operating level for the preparation of adequate work papers and records in a form suitable for audit (7 GAO 17.3); and

(5) Other financial records maintained by management, if considered as subsidiary to the accounting records shall be reviewed and reconciled at least quarterly.

## **4 FAM 045 ADMINISTRATIVE REVIEW**

*(TL:FIN-356; 11-30-95)*

The system shall include administrative review of disbursement transactions sufficient to ensure compliance with laws and regulations governing certification of vouchers and disbursing of Government funds. Vouchers shall be audited consistent with Department requirements.

## **4 FAM 046 SAFEGUARDING OF RESOURCES**

*(TL:FIN-356; 11-30-95)*

All funds, property, and other resources for which the Department is responsible will be appropriately safeguarded to prevent misuse, misappropriation, unwarranted waste, deterioration, or destruction. No assets are to be disposed of, leave the possession of the Department, or be reduced in value without proper authorization.

## **4 FAM 047 INTERNAL AUDIT**

*(TL:FIN-356; 11-30-95)*

The Office of the Inspector General (OIG) shall be responsible for developing an audit program which provides adequate audit coverage of the Department's accounting system. The objectives of the audit program are to determine whether funds have been applied efficiently, economically, effectively, and in a manner that is consistent with related laws, program objectives, and underlying agreements. The Inspector General's audit program is an essential element of the management control systems. The findings of audit reports shall be appraised and utilized by management to refine and improve the principles, standards, and procedures of the accounting system. The audit standards developed by the General Accounting Office will be the basic criteria on which audit coverage and operations are accomplished.

## **4 FAM 048 THROUGH 049 UNASSIGNED**